

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>GALIEN TOWNSHIP</b>	County <b>BERRIEN</b>
Fiscal Year End <b>MARCH 31, 2006</b>	Opinion Date <b>JUNE 23, 2006</b>	Date Audit Report Submitted to State <b>JULY 14, 2006</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO** Check each applicable box below. (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	<b>MICHIGAN DEPARTMENT OF TREASURY FORM (F-65)</b>	
Certified Public Accountant (Firm Name) <b>SCHAFFER &amp; LAYHER, PLLC</b>		Telephone Number <b>269-983-0131</b>	
Street Address <b>805 VAN BRUNT AVENUE</b>		City <b>ST. JOSEPH</b>	State Zip <b>MI 48905</b>
Authorizing CPA Signature	Printed Name <b>MICHAEL W. LAYHER</b>		License Number <b>21500</b>

**GALIEN TOWNSHIP**  
**BERRIEN COUNTY, MICHIGAN**

---

**FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION**

**March 31, 2006**

**GALIEN TOWNSHIP  
TOWNSHIP BOARD MEMBERS  
MARCH 31, 2006**

**TOWNSHIP BOARD**

Bruce Williams

Supervisor

Lesta Doyle

Clerk

Jan Gluth

Treasurer

Kyle Roberts

Trustee

Brenda Ernsberger

Trustee

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
Independent Auditor's Report	1
Management's Discussion and Analysis	2- 7
Government-Wide Statement of Net Assets	8
Government-Wide Statement of Activities	9
Governmental Fund Balance Sheet	10
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	11
Fiduciary Funds – Statement of Net Assets	12
Notes to the Financial Statements	13 - 23
 <b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Budgetary Comparison Schedule – General Fund	24
 <b>OTHER SUPPLEMENTAL INFORMATION</b>	
Combining Balance Sheet—Non-Major Governmental Funds	25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Non-Major Governmental Funds	26



## INDEPENDENT AUDITOR'S REPORT

To the Board of  
Galien Township

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Galien Township (the "Township"), as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Galien Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Galien Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 24 are not a required part of the basic financial statements, but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Galien Township basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Schaffer &amp; Layher". The signature is written in a cursive, flowing style.

Schaffer & Layher  
June 23, 2006

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA

**Using this Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**Financial Highlights**

- The Township's combined net assets increased \$70,823 or 13.00% from a year ago—increasing from \$544,490 to \$615,313.
- Total fund revenues were \$244,259 and fund expenditures were \$173,436 for the current fiscal year.

**Overview of the Financial Statements**

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
  - The *governmental funds statements* tell how general government services like general government and public safety were financed in the short-term as well as what remains for future spending.
  - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basis financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Overview of the Financial Statements, Concluded**

Major Features of Bainbridge Township's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that is not proprietary or fiduciary.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

**Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township’s net assets and how they have changed. Net assets are the difference between the Township’s assets and liabilities, which is one way to measure the Township’s financial health, or position.

- Over time, increases or decreases in the Township’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township’s property tax base and condition of the Township’s infrastructure.

**Government-wide Statements, Concluded**

The government-wide financial statements of the Township include:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- Component units—The Township includes one other entity in its report—the Galien Township Library. Although legally separate, the “component unit” is important because the Township is financially accountable for them.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board can establish other funds to control and manage money for a particular purpose or to show that it is properly using certain taxes and grants.

The Township has the following two kinds of funds:

- *Governments Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**Financial Analysis Of The Township As A Whole**

The Township's combined net assets were \$615,313. In a condensed format the following table below shows a breakdown of the net assets:

	<u>Governmental Activities</u>
Current Assets	\$ 625,092
Capital Assets	1,000
<b>Total Assets</b>	<u>\$ 626,092</u>
Other liabilities	10,779
<b>Total Liabilities</b>	<u>\$ 10,779</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 1,000
Unrestricted	614,313
<b>Total Net Assets</b>	<u><u>\$ 615,313</u></u>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$70,823 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$615,313, or about 354% of expenditures. This is well above the targeted range set by many Township Boards of three to six months of operations.

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>
Program Revenues	
Charges for services	\$ 19,624
Operating Grants and Contributions	-
General Revenues	
Property Taxes	124,538
State Shared Revenues	70,261
Interest	25,516
Other Revenues	4,320
Total Revenues	<u>\$ 244,259</u>
Program Expenses	
General Government	\$ 111,637
Public Safety	37,581
Public Works	21,818
Recreation and Culture	1,000
Community & Economic Development	1,400
Depreciation	-
Total Expenses	<u>\$ 173,436</u>
Change in Net Assets	<u>\$ 70,823</u>

The Township’s net assets continue to remain healthy. As a result, net assets grew by \$70,823. This is primarily from increased interest income and controlling costs within the primary government.

**Governmental Activities**

The Township’s total governmental revenues increased by approximately \$23,729 and expenses increased by \$13,828 during the year. This expense increase was primarily the result of an increase in general government and public safety expenditures.

**The Township’s Funds**

Our analysis of the Township’s major funds begins on page 10, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township’s major funds for 2006 included the General, Road, Cemetery, and Special Fire Funds.

The General Fund pays for most of the Township’s governmental services, including general government, public safety, and other. The most significant is general government, which incurred expenses of approximately \$111,637 in fiscal 2006. The service is supported by general revenue sources of the General Fund.

**General Fund Budgetary Highlights**

Over the course of the year, the Township Board made no amendments to the budget.

**Capital Asset and Debt Administration**

At the end of March 31, 2006, the Township had investment in capital assets for its governmental activities of \$1,000 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them.

**Economic Factors and Next Year's Budgets and Rates**

The Township anticipates revenue over expenditures in the governmental activities next year.

**Comparative Information**

The financial report does not show any comparative data, because the Township only prepares bi-annual audits in accordance with State law.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

The financial report of the discretely presented component unit, the Galien Township Library, can be obtained directly from the management of the Library.

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006**

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Component</u>
	<u>Activities</u>	<u>Units</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 232,235	\$ 80,569
Investments	379,540	324,961
Taxes Receivable	12,755	3,387
Due From Fiduciary Funds	562	-
Capital Assets, Net	1,000	38,825
<b>Total Assets</b>	<b>\$ 626,092</b>	<b>\$ 447,742</b>
<b>Liabilities</b>		
Accounts Payable	\$ 10,592	\$ 1,334
Accrued and Other Liabilities	187	759
<b>Total Liabilities</b>	<b>\$ 10,779</b>	<b>\$ 2,093</b>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	\$ 1,000	\$ 38,825
Unrestricted	614,313	406,824
<b>Total Net Assets</b>	<b>\$ 615,313</b>	<b>\$ 445,649</b>

*The notes to the financial statements are an integral part of these statements.*

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
March 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Component Units</u>
<b>Primary Government</b>					
<i>Governmental Activities</i>					
General Government	\$ 111,637	13,900	\$ -	\$ (97,737)	-
Public Safety	37,581	5,724	-	(31,857)	-
Public Works	21,818	-	-	(21,818)	-
Recreation and Culture	1,000	-	-	(1,000)	-
Community & Economic Development	1,400	-	-	(1,400)	-
Depreciation	-	-	-	-	-
Total Primary Government	<u>\$ 173,436</u>	<u>\$ 19,624</u>	<u>\$ -</u>	<u>\$ (153,812)</u>	
<b>Component Units</b>					
Galien Township Public Library	<u>\$ 45,418</u>	<u>\$ 33,510</u>	<u>\$ -</u>		<u>\$ (11,908)</u>
<b>General Revenues</b>					
Property Taxes				\$ 124,538	\$ 42,286
State Grants				70,261	2,786
Interest				25,516	7,607
Other Revenues				4,320	2,258
Total General Revenues				<u>\$ 224,635</u>	<u>\$ 54,937</u>
<b>Change in Net Assets</b>					
				\$ 70,823	\$ 43,029
<b>Net Assets-Beginning</b>					
				544,490	402,620
<b>Net Assets-Ending</b>					
				<u>\$ 615,313</u>	<u>\$ 445,649</u>

The notes to the financial statements are an integral part of these statements.

**GALIEN TOWNSHIP**

**GOVERNMENTAL FUND BALANCE SHEET  
March 31, 2006**

	General Fund	Road Fund	Cemetery Fund	Special Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$ 40,441	\$ 72,922	\$ 17,078	\$ 51,934	\$ 49,860	\$ 232,235
Investments	215,055	20,000	93,153	51,332	-	379,540
Taxes Receivable	3,553	3,653	-	3,662	1,887	12,755
Due from Fiduciary Funds	434	49	-	49	30	562
Total Assets	<u>\$ 259,483</u>	<u>\$ 96,624</u>	<u>\$ 110,231</u>	<u>\$ 106,977</u>	<u>\$ 51,777</u>	<u>\$ 625,092</u>
<b>Liabilities and Fund Equity</b>						
Liabilities						
Accounts Payable	\$ 10,592	\$ -	\$ -	\$ -	\$ -	\$ 10,592
Other current liabilities	187	-	-	-	-	187
Total Liabilities	<u>\$ 10,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,779</u>
<b>Fund Balance</b>						
Unreserved:						
Undesignated	\$ 248,704	\$ 96,624	\$ 110,231	\$ 106,977	\$ 51,777	\$ 614,313
Total Fund Equity	<u>\$ 248,704</u>	<u>\$ 96,624</u>	<u>\$ 110,231</u>	<u>\$ 106,977</u>	<u>\$ 51,777</u>	<u>\$ 614,313</u>
Total Liabilities and Fund Equity	<u>\$ 259,483</u>	<u>\$ 96,624</u>	<u>\$ 110,231</u>	<u>\$ 106,977</u>	<u>\$ 51,777</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
* Capital assets used in governmental activities are not financial resources reported in funds						1,000
Net Assets of Governmental Activities						<u>\$ 615,313</u>

The notes to the financial statements are an integral part of these statements.

**GALIEN TOWNSHIP**

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
March 31, 2006**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Cemetery Fund</u>	<u>Special Fire Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 31,750	\$ 36,843	\$ -	\$ 27,824	\$ 28,121	\$ 124,538
Licenses and Permits	5,724	-	-	-	-	5,724
State Grants	68,753	1,508	-	-	-	70,261
Charges for Services	11,850	-	-	-	-	11,850
Cemetery lot sales	-	-	2,050	-	-	2,050
Interest	7,846	2,019	12,094	2,742	815	25,516
Other revenues	4,300	-	-	20	-	4,320
<b>Total Revenues</b>	<u>\$ 130,223</u>	<u>\$ 40,370</u>	<u>\$ 14,144</u>	<u>\$ 30,586</u>	<u>\$ 28,936</u>	<u>\$ 244,259</u>
<b>Expenditures</b>						
Current						
General Government	\$ 111,342	\$ -	\$ 295	\$ -	\$ -	\$ 111,637
Public Safety	15,544	-	-	12,037	10,000	37,581
Public Works	-	21,818	-	-	-	21,818
Recreation and Cultural	1,000	-	-	-	-	1,000
Community and Economic Development	1,400	-	-	-	-	1,400
Capital Outlay >=\$5,000	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 129,286</u>	<u>\$ 21,818</u>	<u>\$ 295</u>	<u>\$ 12,037</u>	<u>\$ 10,000</u>	<u>\$ 173,436</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ 937</u>	<u>\$ 18,552</u>	<u>\$ 13,849</u>	<u>\$ 18,549</u>	<u>\$ 18,936</u>	<u>\$ 70,823</u>
<b>Other Financing Sources(Uses)</b>						
Operating Transfers In	\$ 5,375	\$ -	\$ -	\$ 7,626	\$ -	\$ 13,001
Operating Transfers Out	-	-	(5,375)	-	(7,626)	(13,001)
<b>Total Other Financing Sources(Uses)</b>	<u>\$ 5,375</u>	<u>\$ -</u>	<u>\$ (5,375)</u>	<u>\$ 7,626</u>	<u>\$ (7,626)</u>	<u>\$ -</u>
<b>Excess of Revenue Over Expenditures and Other Sources(Uses)</b>	<u>\$ 6,312</u>	<u>\$ 18,552</u>	<u>\$ 8,474</u>	<u>\$ 26,175</u>	<u>\$ 11,310</u>	<u>\$ 70,823</u>
<b>Fund Balance-April 1, 2005</b>	<u>242,392</u>	<u>78,072</u>	<u>101,757</u>	<u>80,802</u>	<u>40,467</u>	
<b>Fund Balance-March 31, 2006</b>	<u>\$ 248,704</u>	<u>\$ 96,624</u>	<u>\$ 110,231</u>	<u>\$ 106,977</u>	<u>\$ 51,777</u>	

Amounts reported for governmental activities in the statement of activities are different because:

* No current year differences	-
Change in Net Assets of Governmental Activities	<u>\$ 70,823</u>

The notes to the financial statements are an integral part of these statements.

	<i>Agency Funds</i> Property Tax <u>Collections</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 969
Total Assets	<u>\$ 969</u>
<b>Liabilities</b>	
Due to other governmental funds	\$ 562
Due to other governmental units	<u>407</u>
Total Liabilities	<u>\$ 969</u>

*The notes to the financial statements are an integral part of these statements.*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Galien Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity**

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations are to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

**Blended Component Units**—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2006.

**Discretely Presented Component Units**—the following component units are reported within the “component units” column in the government-wide financial statements. A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete.

**Galien Township Public Library (the “Library”)**—The Library, which was established pursuant to MCLA 397.210 as an authority, and is governed by a six member board and provides services to residents in Galien, Bertrand, and Weesaw Townships. A millage is assessed and collected in the same manner as other township taxes. Complete financial statements as of March 31, 2005, may be obtained directly from the Library as the following address:

Galien Township Public Library  
302 North Cleveland Avenue  
Galien, MI 49113

**Jointly Governed Organization**—the Township has no jointly governed organizations.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*The Township reports the following major governmental funds:*

**The General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund.

**The Road Fund** is the Township's fund for the road millage resources and the related expenditures.

**The Cemetery Fund** accounts for all the financial resources of lot sales and interest to help maintain the Township's Cemetery for perpetuity.

**The Special Fire Fund** is the Township's fund for the fire millage resources and the related expenditures.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****B. Government-Wide and Fund Financial Statements, Concluded**

*Additionally, the government reports the following non-major fund types:*

Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and don't involve a measurement of result of operations.

**Agency Fund**—the Township presently maintains a Current and Delinquent Property Tax Fund to record transactions of tax collections and disbursements for local taxing units within the Township. This fund is segregated and held in trust for the local unit until distributed.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**Property Taxes**--The Township's property taxes attach as an enforceable lien on December 1<sup>st</sup>, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2005 ad valorem tax is levied and collectible on December 1, 2005 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the Township totaled \$37,585,931, on which ad valorem taxes levied consisted of (.7730 mills for the Township's operating purposes; .9916 for special fire services; .4864 for ambulance services; and .9730 for roads.) These amounts are recognized in their respective funds financial statements as tax revenue.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**  
**D. Assets, Liabilities, and Net Assets or Equity, Continued**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets at April 1, 2005 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e. there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

Fund Equity—in the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**

**D. Assets, Liabilities, and Net Assets or Equity, Concluded**

Fund Equity, Concluded—Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1<sup>st</sup> and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1<sup>st</sup>. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There were no amendments during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures over Appropriations in Major Budgeted Funds—during the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
General Government - Legislative	\$ 34,425	\$ 51,506	\$(17,081)
General Government-Assessor	4,000	5,587	(1,587)
Public Safety - Building and Electrical Inspection	-	5,346	(5,346)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED**

The Township did not prepare budgets for the following major funds: (Road, Cemetery, and Special Fire.)

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

**NOTE 3. DEPOSITS AND INVESTMENTS**

At March 31, 2006, the Township’s deposits and investments were reported in the financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 232,235	\$ 232,235	\$ 969	\$ 80,569
Investments (C/D's > 90 days)	379,540	379,540	-	324,961
Total	<u>\$ 611,775</u>	<u>\$ 611,775</u>	<u>\$ 969</u>	<u>\$ 405,530</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts)	\$ 232,235	\$ 969	\$ 80,569
Certificates of Deposit > 90 days	379,540	-	324,961
	-	-	-
	<u>\$ 611,775</u>	<u>\$ 969</u>	<u>\$ 405,530</u>

**Bank Deposits:**

All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage.

**Custodial Credit Risk-Deposits:**

In the case of deposits, this is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. As of March 31, 2006 \$220,818 of the Township’s bank balance, including certificates of deposit, of \$612,929 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Township’s name. With regard to the Galien Township Public Library, a component unit of the Township, \$155,494 of the Library’s bank balance, including certificates of deposit, of \$407,085 was exposed to custodial credit risk because it was uninsured.

**Investments:**

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC or FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker’s acceptance of the United States Bank; and 6) Certain mutual funds.

**NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	<u>Fair Value</u>	<u>Current Value</u>	<u>Investment Maturities</u>		
			<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10</u>
<b>Primary Government</b>					
Certificate of Deposits	<u>\$ 379,540</u>	<u>\$ 379,540</u>	<u>\$ 379,540</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Component Unit</b>					
Certificate of Deposits	<u>\$ 324,961</u>	<u>\$ 324,961</u>	<u>\$ 324,961</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest Rate Risk:**

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

**Credit Risk:**

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township had no such investments.

**Concentration of Credit Risk:**

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2006, the Township had no such investments.

**Custodial Credit Risk-Investments:**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2006, the Township had no such investments.

**Foreign Currency Risk:**

The Township is not authorized to invest in investments which have this type of risk.

**NOTE 4. RECEIVABLES AND PAYABLES**

Receivables as of year-end for the Township’s individual major and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road Fund	Cemetery Fund	Special Fire Fund	Non-Major Funds	Total
<b>Receivables:</b>						
Property taxes	\$ 3,553	\$ 3,653	\$ -	\$ 3,662	\$ 1,887	\$ 12,755
Net Receivables	<u>\$ 3,553</u>	<u>\$ 3,653</u>	<u>\$ -</u>	<u>\$ 3,662</u>	<u>\$ 1,887</u>	<u>\$ 12,755</u>

Payables as of year-end for the Township’s individual major and non-major funds and fiduciary funds, in the aggregate, are as follows:

	General Fund	Road Fund	Cemetery Fund	Special Fire Fund	Non-Major Funds	Total
<b>Payables:</b>						
Trade	\$ 10,592	\$ -	\$ -	\$ -	\$ -	\$ 10,592

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Capital assets being depreciated				
Land improvements	\$ -	\$ -	\$ -	\$ -
Building and building improvements	26,000	-	-	26,000
Equipment	158,000	-	-	158,000
Subtotal	<u>\$ 184,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,000</u>
Less: Accumulated Depreciation	<u>(184,000)</u>	<u>-</u>	<u>-</u>	<u>(184,000)</u>
Net Capital Assets Being Depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Governmental activities total</b>				
<b>capital assets-net of depreciation</b>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>

Depreciation expense was not charged to programs of the primary government. The Township considers its assets to impact multiple activities and allocations are not practical.

**NOTE 5. CAPITAL ASSETS, CONCLUDED**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Component Unit Activities</i>				
Capital assets not being depreciated				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Capital assets being depreciated				
Land improvements	\$ -	\$ -	\$ -	\$ -
Building and building improvements	43,410	-	-	43,410
Equipment	24,092	2,271	-	26,363
Subtotal	<u>\$ 67,502</u>	<u>\$ 2,271</u>	<u>\$ -</u>	<u>\$ 69,773</u>
Less: Accumulated Depreciation	<u>(53,014)</u>	<u>(1,934)</u>	<u>-</u>	<u>(54,948)</u>
Net Capital Assets Being Depreciated	<u>\$ 14,488</u>	<u>\$ 337</u>	<u>\$ -</u>	<u>\$ 14,825</u>
<b>Component Unit activities total</b>				
<b>capital assets-net of depreciation</b>	<u><u>\$ 38,488</u></u>	<u><u>\$ 337</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,825</u></u>

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Cemetery Fund	\$ 5,375
Special Fire Fund	Ambulance Fund	<u>7,626</u>
<b>Total</b>		<u><u>\$ 13,001</u></u>

The current year transfers were from the cemetery fund to the general fund to help defer the cemetery costs within the general fund and ambulance to special fire fund to account for property tax collections.

**NOTE 7. DESIGNATED NET ASSETS**

The Township had no designated net assets.

**NOTE 8. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9. OPERATING LEASES**

The Township did not have any operating or capital leases during the year.

**NOTE 10. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES**

The Township charges fees for the inspection of building electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Period <u>ended 3/31/06</u>
Revenues (Fees Charged)	\$ 5,346
Expenses	<u>5,346</u>
	<u><u>\$ -</u></u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**  
**March 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 242,392	\$ 242,392	\$ 242,392	
<b>Available for Appropriation (Inflows)</b>				
Taxes	-	-	31,750	31,750
Licenses and Permits	-	-	5,724	5,724
State Grants	65,000	65,000	68,753	3,753
Charges for Services	-	-	11,850	11,850
Interest	-	-	7,846	7,846
Other Revenues	-	-	4,300	4,300
Transfer In	-	-	5,375	5,375
Amounts Available for Appropriation	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 135,598</u>	
<b>Charges to Appropriations(Outflows)</b>				
General Government				
Legislative	34,425	34,425	51,506	(17,081)
Supervisor	6,500	6,500	6,500	-
Elections	3,500	3,500	1,164	2,336
Assessor	4,000	4,000	5,587	(1,587)
Clerk	11,050	11,050	11,050	-
Board of Review	500	500	385	115
Treasurer	13,550	13,550	13,550	-
Hall and Grounds	5,400	5,400	5,400	-
Cemetery	16,775	16,775	16,200	575
Public Safety				
Fire Protection	11,600	11,600	10,198	1,402
Building and Electrical Inspection	-	-	5,346	(5,346)
Public Works				
Roads	-	-	-	-
Drains	-	-	-	-
Recreation & Cultural				
Parks	1,000	1,000	1,000	-
Community & Economic Development				
Planning Commission	-	-	-	-
Zoning	1,400	1,400	1,400	-
Capital Outlay >=\$5,000	-	-	-	-
Total Charges to Appropriations	<u>\$ 109,700</u>	<u>\$ 109,700</u>	<u>\$ 129,286</u>	
End of Year Fund Balance-March 31, 2006	<u>\$ 197,692</u>	<u>\$ 197,692</u>	<u>\$ 248,704</u>	

## **OTHER SUPPLEMENTAL INFORMATION**

**COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS  
March 31, 2006**

	Ambulance Fund	Total Non-Major Governmental Funds
<b>Assets</b>		
Cash and Cash Equivalents	\$ 49,860	\$ 49,860
Taxes Receivable	1,887	1,887
Due from Fiduciary Funds	30	30
Total Assets	<u>\$ 51,777</u>	<u>\$ 51,777</u>
 <b>Liabilities and Fund Equity</b>		
Accounts Payable	\$ -	\$ -
Due to other governmental funds	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>
 <b>Fund Balance</b>		
Reserved	\$ -	\$ -
Unreserved:		
Designated	-	-
Undesignated	51,777	51,777
Total Fund Equity	<u>\$ 51,777</u>	<u>\$ 51,777</u>
 Total Liabilities and Fund Equity	 <u>\$ 51,777</u>	 <u>\$ 51,777</u>

**GALIEN TOWNSHIP****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
March 31, 2006**

	Ambulance <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
<b>Revenues</b>		
Taxes and Penalties	\$ 28,121	\$ 28,121
Interest and Rentals	815	815
Other Revenues	-	-
Total Revenues	<u>\$ 28,936</u>	<u>\$ 28,936</u>
<b>Expenditures</b>		
Current		
Public Safety	\$ 10,000	\$ 10,000
Capital Outlay	-	-
Total Expenditures	<u>\$ 10,000</u>	<u>\$ 10,000</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ 18,936</u>	<u>\$ 18,936</u>
<b>Other Financing Sources(Uses)</b>		
Operating Transfers In	\$ -	\$ -
Operating Transfers Out	(7,626)	(7,626)
Total Other Financing Sources(Uses)	<u>\$ (7,626)</u>	<u>\$ (7,626)</u>
<b>Excess of Revenues Over Expenditures and Other Sources(Uses)</b>	\$ 11,310	\$ 11,310
Fund Balance-April 1, 2005	40,467	40,467
Fund Balance-March 31, 2006	<u>\$ 51,777</u>	<u>\$ 51,777</u>



To the Board of  
Galien Township, Michigan

As a regular part of our audit of Galien Township, Michigan, (the “Township”) for the year ended March 31, 2006, we reviewed the accounting and internal control procedures of the Township that we considered relevant to criteria established by auditing standards generally accepted in the United States of America. Based upon this review, we would like to make the following comments and recommendations:

*CURRENT YEAR’S RECOMMENDATIONS:*

**Segregation of Duties**

The current size of the Township’s accounting and administrative staff precludes certain internal controls that we would prefer if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions.

**Formal Budget Adoption**

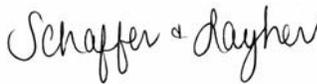
Currently, the Township Board has not adopted a formal budget for the following Governmental Funds: Road, Fire or Cemetery funds in compliance with Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended by PA 621 of 1978) and Governmental Accounting Standards Board Statement No. 34. We recommend that budgets be drafted and approved in the same manner the current general budget is adopted to ensure accountability and a benchmark to measure these revenues and expenditures.

**Continue to Evaluate and Safeguard Township Expenditures**

Fiduciary responsibilities are critical for every Township board member, and in fact, are among an elected official’s most important duties. Both individually and collectively, board members have responsibility for the Township’s finances and for protecting the Township’s assets. We did not identify any expenditures that would not be legal for the Township, but would like to keep the Township board informed of their duty to question all expenditures and ensure sure they meet all guidelines. We have attached and article for all members to review titled “Determining the Legality of Township Expenditures”.

We would be happy to discuss these recommendations and comments with you at your convenience. We would also like to express our appreciation for the courtesy and cooperation extended to us during the engagement.

This report is intended solely for the information and use of the Township Board, management, and others associated with the Township.

  
Schaffer & Layher  
St. Joseph, Michigan  
June 23, 2006

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA